FORRESTER RESEARCH, INC.
Form 10-K
March 08, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 000-21433

Forrester Research, Inc.

(Exact name of registrant as specified in its charter)

Delaware	04-2797789
(State or other jurisdiction	(I.R.S. Employer
of incorporation or organization)	Identification Number)
60 Acorn Park Drive	02140
Cambridge, Massachusetts	(Zip Code)
(Address of principal executive offices)	

Registrant’s telephone number, including area code:

(617) 613-6000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.01 Par Value	Nasdaq Global Select Market

Securities to be registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.) Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of June 30, 2018 (based on the closing price as quoted by the Nasdaq National Market as of such date) was approximately $424,000,000.

As of March 4, 2019, 18,411,000 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement related to its 2019 Annual Stockholders' Meeting to be filed subsequently — Part III of this Form 10-K.

FORRESTER RESEARCH, INC.

INDEX TO FORM 10-K

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “expects,” “believes,” “anticipates,” “intends,” “plans,” “estimates,” or similar expressions are intended to identify these forward-looking statements. Reference is made in particular to our statements about possible acquisitions, future dividends, future share repurchases, future growth rates and operating income, future financial results of SiriusDecisions, future compliance with financial covenants under our credit facility, anticipated increases in, and productivity of, our sales force and headcount, changes to our customer engagement model, and the adequacy of our cash, and cash flows to satisfy our working capital and capital expenditures. These statements are based on our current plans and expectations and involve risks and uncertainties. Important factors that could cause actual future activities and results of operations to be materially different from those set forth in the forward-looking statements are discussed below under “Risk Factors.” We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

PART I

Item 1. Business

General

Forrester Research, Inc. is a global independent research, data, and advisory services firm. We work with business and technology leaders to help them develop customer-obsessed strategies that drive growth. Forrester’s unique insights are grounded in annual surveys of more than 675,000 consumers and business leaders worldwide, rigorous and objective research methodologies, and the shared wisdom of our clients. Through proprietary research and data, custom consulting, exclusive executive peer groups and events, Forrester challenges the thinking of its clients and positions them to lead change in their organizations in an era of powerful customers.

We were incorporated in Massachusetts on July 7, 1983 and reincorporated in Delaware on February 16, 1996.

Our Internet address is www.forrester.com. We make available free of charge, on or through the investor information section of our website, annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

On January 3, 2019, we acquired SiriusDecisions, Inc., a privately held company based in Wilton, Connecticut with approximately 350 employees globally. SiriusDecisions helps companies worldwide by delivering actionable intelligence, transformative frameworks and expert guidance that equip executives to modernize and elevate sales, marketing and product performance. We believe that the combination of our expertise in strategy with SiriusDecisions’ focus on operational excellence will enable our clients to know what they should do, why they should do it, and how to do it. The acquisition creates several opportunities for us, including cross-selling services to our respective client bases, extending SiriusDecisions’ platform, methodologies, data, and best-practices tools into new roles, and accelerating international and industry growth. See Note 15 - Subsequent Events, to the financial statements. The following description of our business reflects our business as of December 31, 2018 and does not reflect the acquisition of SiriusDecisions, other than as explicitly indicated.

Industry Background

Enterprises struggle to keep up with digitally-savvy, empowered customers and maintain differentiation in a disruption-rich market. Technology changes and innovations occur at an increasingly rapid pace. Developing comprehensive and coordinated business strategies is increasingly difficult as consumers and businesses adopt new methods of buying and selling, and markets grow increasingly dynamic.

Consequently, companies and the professionals in the roles we serve must rely on external sources of independent business advice spanning a variety of areas including but not limited to customer behavior, technology investments, and business strategy. We believe there is a need for objective research, data, advisory and related services that allow our clients to see, interpret, and act to respond to complex market dynamics and the extraordinary pace of technology change.

Forrester's® Strategy

Empowered customers are ushering in a new "Age of the Customer" that we believe will reshape the way organizations succeed and grow. Our differentiated strategy, products, and services are designed to help those enterprises satisfy their increasingly dynamic customer bases.

Driven by our strategy, we: 1) help our clients stay current with and understand their dynamic customers, 2) advise marketing and strategy executives such as Chief Marketing Officers as they seek to win those customers, and 3) work with technology management executives such as Chief Information Officers as they build systems to satisfy customers. Technology is moving from being a tool for managing and lowering operating costs to a means of generating market opportunities and revenue. Given this shift, today's technology management professionals have two agendas – a traditional back-office agenda of running internal systems, and a business technology (BT) agenda that provides the technology, systems, and processes to win, serve and retain customers. In today's market, we believe few companies will succeed that are unable to capitalize on the full value of business technologies and harness data to deliver differentiated experiences.

Importantly, the three areas where we work with our clients (understanding their customers, winning their customers, and building technology to serve their customers) are highly interrelated in the large organizations that we serve. This creates opportunities to sell add-on products and services to our existing clients. In addition, we believe our go to market strategy is unique, increasing our competitive differentiation.

Our core capabilities combine to deliver a comprehensive set of products and solutions to help our clients compete and win in the Age of the Customer. Our ability to customize our solutions to specific industries provides a powerful method to drive the success of our clients and creates significant opportunities to consistently enrich our relationships with our clients.

Forrester's Solution

We offer a broad set of products and services designed to help our clients win in the Age of the Customer. Our solutions help our clients to:

- Understand trends in consumer behavior and how to capitalize on those trends.
- Benchmark their customer experience.
- Plan strategies to improve their customer experience.
- Develop customer-obsessed cultures that drive growth.
- Assess potential new markets, competitors, products and services, and go-to-market strategies.
- Anticipate technology-driven business model shifts.
- Educate, inform, and align strategic decision-makers in their organizations.
- Navigate technology purchases and implementation challenges and optimize technology investments, particularly in the BT space.
- Capitalize on emerging technologies, especially in BT.

Our products and services focus on six market imperatives important to our clients and prospects in the Age of the Customer:

- Drive revenue with continuously improving customer experience – so that customer experience becomes a growth engine for our clients.
- Differentiate with digital – taking the critical step to enable our clients to become digital first companies.
- Accelerate growth with marketing innovation – enabling our clients to expand and excel at engaging and retaining customers.
- Use customer insights to gain a competitive advantage – enabling our clients to anticipate changing customer expectations.
- Transform IT to win, serve and retain customers – so that IT becomes a strategic point of differentiation for our clients.
- Secure customers and protect the brand – so that trust becomes an asset of our clients.

Products and Services

We offer our clients a selection of products, services, and engagement opportunities, which we have branded into five categories: Forrester Research (our core research), Forrester Connect (our peer offerings), Forrester Analytics, Forrester Consulting, and Forrester Events.

Forrester Research

Forrester's published research and decision tools enable clients to better anticipate and capitalize on the disruptive forces affecting their businesses and organizations. We believe Forrester Research provides insights and frameworks to drive growth in a complex and dynamic market. Our primary syndicated research product, named Research, provides clients with access to our core syndicated research designed to inform their strategic decision-making. Research includes our Playbooks, a set of integrated reports, tools, and guidance for critical business initiatives, and our Reports, designed to deepen clients' understanding of market, customer, and technology trends through data-driven reports, case studies, predictions, and strategic road maps. Our syndicated research also includes The Forrester Wave,™ our primary mechanism for evaluating enterprise technologies. The Forrester Wave provides a detailed analysis of vendors' technologies and services based on transparent, fully accessible criteria, and measurement of characteristics weighted by us. The Forrester Wave allows clients to compare products and develop a custom shortlist based on the client's unique requirements. Since 2017 we have also published Forrester Industry Waves, which evaluate the digital experiences of firms that serve end customers, and Forrester New Waves, which evaluate vendors in emerging markets.

Our Age of the Customer Research offering, which combines our Business Technology (BT) and Marketing and Strategy (M&S) Research offerings, is closely aligned with our strategy of addressing our clients' and prospects' opportunities and challenges in the Age of the Customer. In addition to the Age of the Customer Research offering, our various Research offerings include standalone BT Research and M&S Research, as well as our TI (Technology Industry) Research offering designed specifically for technology vendors. Each of our Research offerings consists of a library of cross-linked documents that interconnect our playbooks, reports, data, product rankings, best practices, evaluation tools, and research archives. Research access is provided through role-based websites that facilitate client access to research and tools that are most relevant to their professional roles, including community tools that allow interaction between and among clients and our analysts.

We also offer clients the opportunity to license electronic "reprints" of designated Research for posting to a client's website(s) for a designated period of time to support a client's marketing or business objectives. Electronic reprints are hosted on an on-line platform that enables interactive content and provides us with improved tracking of distribution of our intellectual property.

Research Methodology

We employ a structured methodology in our research that enables us to identify and analyze business technology trends, markets, and audiences and ensures consistent research quality and recommendations across all coverage areas. We ascertain the issues important to our clients and prospects through thousands of interactions and surveys with technology vendors and business, marketing, and technology professionals, and accordingly, the majority of our research is focused on helping our clients increase their customer focus and grow their business. We use the following primary research inputs:

- Our own proprietary data from our CX Index™, Consumer Technographics®, Business Technographics, and ForecastView products.
- Confidential interviews with early adopters and mainstream users of new technologies across technology, marketing, and strategy roles at end-user companies.
- In-depth interviews with business technology vendors and suppliers of related services.
- Ongoing briefings with vendors to review current positions and future directions.
- Continuous dialogue with our clients to identify business and technology opportunities in the marketplace.

Collaboration among research, product, data and consulting professionals is an integral part of our process, leading to higher-quality research and a unified perspective. Our global research and product organization supports our client base by facilitating research and product collaboration and quality, promoting a uniform client experience and improved customer satisfaction, and encouraging innovation.

5

Clients subscribing to our Research offerings may choose between two membership levels:

- Member Licenses. Member Licenses include access to the written research, as well as Inquiry with analysts, and access to Forrester Webinars. Inquiry enables clients to contact our analysts for quick feedback on projects they may have underway, to discuss ideas and models in the research, or for answers to questions about unfolding industry events. Typically, Inquiry sessions are 30-minute phone calls, scheduled upon client request, or e-mail responses coordinated through our research specialists. Forrester Webinars are Web-based conferences on selected topics of interest to particular professional roles that typically are held several times a week.
- Reader Licenses. Reader Licenses provide access to our written research.

Both Member and Reader clients receive access to our Customer Success Specialists, who provide additional information about our research, methodologies, coverage areas, and sources. The Customer Success Specialists are available to help clients navigate our website, find relevant information, and put clients in contact with the appropriate analyst for inquiries. Clients that subscribe for one or more Member licenses receive one ticket per order to attend a Forrester Event.

We also offer Research Share licenses that allow clients to share a designated number of published pieces of research with a designated number of persons within their organizations.

Forrester Connect

The Forrester Connect offerings are designed to help clients connect with peers and Forrester's professionals, optimize use of our products and services, and to coach executives to lead far-reaching change within their organizations.

Leadership Boards

Our Leadership Boards are exclusive peer groups for executives and other senior leaders at large organizations worldwide. Clients may participate in one or more Leadership Boards. Memberships are available to the Chief Information Officer (CIO) Group, the Chief Marketing Officer (CMO) Group and several Councils for the technology and marketing roles we cover. In addition to a Member license to access the appropriate Research offering, members of our Leadership Boards receive access to the following:

- A private forum for members to test their thinking with peers through local and national meetings, one-to-one and group peer exchanges, and virtual community activities.
- Advisors to challenge members' thinking with insights drawn from peers, our Research, and our analyst community, all designed to help members drive business growth and lead change.
- Member-generated content that includes next and best practices as well as role-specific maturity benchmark data.
- An event ticket to attend one Forrester Event.

Executive Programs

Our Executive Programs provide CMOs and CIOs with personal coaches who help the executives and their teams establish and tackle their most important initiatives. In addition to a Member license for our research offering and one ticket to attend a Forrester Event, our Executive Programs provide on-site strategy workshops, personalized research and analysis, and access to Forrester experts.

We also offer Team Access licenses that allow members of a Leadership Board or Executive Program to assign Member or Reader licenses to individuals within their extended teams to enhance collaboration and access to our Research offerings.

Training and Certification

In 2018 we launched a customer experience (CX) Training and Certification offering, which consists of a six-week online course delivered on a microlearning platform and facilitated by a Forrester course advisor, with optional live one-hour sessions with Forrester analysts. The initial course, called Foundations, enables CX practitioners and other CX proponents within our clients' organizations to learn the core skills needed to carry out a CX program aimed at driving business growth, and the certification provides professional recognition to help these individuals stand out as possessing unique skills in the growing field of CX. Participants in the program engage in hands-on activities that result in deliverables that can be put into practice immediately in their own CX programs.

Forrester Analytics

Our Analytics products and services are designed to provide fact-based customer insights to our clients. Clients can leverage our Analytics products and services or choose to have us conduct custom data analysis on their behalf. Our Analytics products and services include:

- Forrester's Customer Experience (CX) Index. The CX Index, which uses Forrester's rigorous customer experience methodology, is a framework for assessing and measuring the quality of customer experience for nearly 600 brands worldwide. This unique framework provides useful and actionable analysis including a customer experience score, quantitative information about the score, and the most important drivers to improve the customer experience, along with a Business Impact Simulator tool that models out potential revenue uplift to help guide clients' investments in customer experience. We offer two Forrester CX Index packages, consisting of an industry package that provides a benchmark of a particular brand's CX Index scores against its competitors and an add-on best-in-class package that offers deep insights on what distinguishes leading brands. For brands not included in our standard offering, we offer a custom survey approach to build out a CX Index score and deliver our insight recommendations. We deliver the CX Index through an easy-to-use interactive platform that allows clients to customize their CX data based on business needs.
- Consumer Technographics. Consumer Technographics is an ongoing quantitative research program, based on surveys of over 400,000 individuals in North America, Europe, Asia Pacific, and Latin America. Marketing and strategy professionals rely on our Consumer Technographics data and analysis for unique insights into how technology impacts their customers' purchase journey, including the way consumers select, purchase, use, and communicate about products and services. We combine respondent data sets from our Consumer Technographics surveys into multiple regional and industry offerings. We deliver Consumer Technographics through an interactive platform that provides access to the data, insights and analytic tools. Additionally, clients may have access to a Technographics data insights manager to help them use the data effectively to meet their specific business needs.
- Business Technographics. Business Technographics is an ongoing quantitative research program that provides comprehensive, in-depth assessments of what motivates businesses to choose certain technologies and vendors over others. The offering also measures and reports on the current information consumption patterns of key influencers for large technology purchases. We annually survey more than 70,000 business and technology executives as well as information workers at small, medium and large enterprises in North American, European, and other global markets. Our surveys reveal these firms' technology adoption, trends, budgets, business organization, decision processes, purchase plans, brand preferences, and primary influences in the purchasing process. We deliver Business Technographics through an interactive platform that provides access to the data, insights and analytic tools. Business Technographics' clients may also have access to a dedicated data insights manager to assist in utilizing appropriate data to achieve desired outcomes.
- FeedbackNow. Acquired in July of 2018, our FeedbackNow solution consists of devices with physical buttons and associated monitoring software that allows companies to measure, analyze, and improve customer experience. Customers of our clients can provide real-time feedback regarding their experiences by utilizing a simple system of green, yellow and red buttons. This feedback is provided to our clients instantly via the FeedbackNow platform, where it can be analyzed and used to take immediate action to improve the highlighted experiences and business operations.
- ForecastView. ForecastView is an ongoing data program that provides a detailed evaluation of market size, based on expert analysis and quantitative insights from our consumer and business surveys. We leverage Technographics demand-side data and supply-side metrics to help clients uncover new business opportunities. Each forecast consists of at least ten years of data: five historic, the current year and four years in the future. We offer global forecasts for e-commerce, digital marketing, mobile applications and platforms markets. ForecastView clients may also have access to ForecastView analysts to assist in utilizing appropriate data to support client business decisions.

Forrester Consulting

Our advisory and project consulting services leverage our Research, Technographics and CX Index data, as well as our proprietary consulting frameworks, to deliver focused insights and recommendations that assist clients with their challenges in developing and executing technology and business strategy, including customer experience and digital strategy, informing critical decisions and reducing business risk. Our consulting services help clients with challenges addressed in our published research, such as leading customer experience transformations, digital business transformation, and business technology transformations and modernization. We help business and technology professionals conduct maturity assessments, prioritize best practices, develop strategies, build business cases, select technology vendors, and structure organizations. We help marketing professionals at technology vendors develop content marketing strategies, create content marketing collateral, and develop sales tools. We have a dedicated consulting organization to provide professional project consulting services to our clients, utilizing our Forrester Solutions framework and best in class consulting techniques and content development tools, allowing our analysts to spend additional time on writing research and providing shorter-term advisory services.

Forrester Events

We host multiple events in various locations in North America, Europe and Asia throughout the year. Events bring together executives and other participants serving or interested in the particular subject matter or professional role(s) on which an event focuses. Event participants come together to network with their peers, meet with Forrester analysts, and hear business leaders discuss business and technology issues of interest or significance to the professionals in attendance. Forrester Events focus on business imperatives of significant interest to our clients, including succeeding in the Age of the Customer, customer experience, digital transformation, privacy and security, new technology and innovation, and marketing leadership, and provide immersive experiences to challenge clients' thinking and help clients to lead change.

Sales and Marketing

We sell our products and services through our direct sales force in various locations in North America, Europe, Asia, and Australia. Our sales organization is organized into five groups based on client size, geography and market potential. Our Premier group focuses on our largest vendor and end user clients across the globe and our Core group focuses on small to mid-sized vendor and end user clients. Our European and Asia Pacific groups focus on both end user and vendor clients in their respective geographies. Our International Business Development group sells our products and services through independent sales representatives in select international locations. We employed 528 sales personnel as of December 31, 2018 compared to 539 sales personnel employed as of December 31, 2017. We also sell select Research products directly online through our website.

In 2018, we substantially completed the work commenced in 2016 to evolve our customer engagement model to better serve and engage our clients and prospects and drive profitable growth, extending the model to our European and Asia Pacific groups. Our sales process has moved to a model where we provide different sales engagement and support levels for clients and prospects in our Premier and Core groups. We believe that our customer engagement model changes will improve client and dollar retention and enrichment and accelerate growth.

Our marketing activities are designed to enhance the Forrester brand, differentiate and promote Forrester products and solutions, improve the client experience, and drive growth. We achieve these outcomes by combining the value of analytics, content, social media, public relations, and creative and field marketing, delivering multi-channel campaigns, Forrester Events, and high-quality digital journeys.

As of December 31, 2018, our products and services were delivered to more than 2,300 client companies. No single client company accounted for more than 3% of our 2018 revenues.

Pricing and Contracts

We report our revenue from client contracts in two categories of revenue: (1) research services and (2) advisory services and events. We classify revenue from subscriptions to our Research, Leadership Boards and Executive Programs, and Analytics products and services as research services revenue. We classify revenue from Forrester Consulting, custom Forrester Analytics projects, and Forrester Events as advisory services and events revenue.

Contract pricing for annual memberships for research and/or other subscription-based products is principally a function of the number of licensed users at the client. Pricing of contracts for advisory services generally is a fixed fee for the consulting project or shorter-term advisory service. We periodically review and increase the list prices for our products and services.

We track the agreement value of contracts to purchase our services as a significant business indicator. We calculate agreement value as the total revenues recognizable from all such contracts in force at a given time (excluding contracts that consist solely of advisory and consulting services and the value of Forrester Events sponsorships included in all contracts), without regard to how much revenue has already been recognized. Agreement value increased 10% to $266.3 million at December 31, 2018 from $242.9 million at December 31, 2017.

Competition

We compete principally in the market for research, data, and advisory services, with an emphasis on customer behavior, customer experience, and the deployment of business technology to win, serve and retain customers. We believe that the principal competitive factors in the markets we participate in include:

- the ability to offer products and services that meet the changing needs of organizations and their executives for research, data, and advisory services;
- comprehensive global data and insights on customer behavior;
- independent analysis and opinions;
- the ability to render our services in digital forms;
- the pricing and packaging of our products and services; and
- customer service, including the quality of professional interactions with our clients.

We believe we compete favorably on these factors due to:

- our differentiated Age of the Customer strategy and portfolio of complementary Age of the Customer products and services;
- our research methodology;
- our experience with and focus on emerging technologies;
- our history of providing research and executable advice on the impact of technology on business; and
- our growing ability to deploy digital products.

Our principal direct competitors include other independent providers of research and advisory services, such as Gartner, as well as marketing agencies, general business consulting firms, survey-based general market research firms, providers of peer networking services, and digital media measurement services. In addition, our indirect competitors include the internal planning and marketing staffs of our current and prospective clients, as well as other information providers such as electronic and print publishing companies. We also face competition from free sources of information available on the Internet, such as Google. Our indirect competitors could choose to compete directly against us in the future. In addition, there are relatively few barriers to entry into certain segments of our market, and new competitors could readily seek to compete against us in one or more of these market segments. Increased competition could adversely affect our operating results through pricing pressure and loss of market share. There can be no assurance that we will be able to continue to compete successfully against existing or new competitors.

Employees

As of December 31, 2018, we employed a total of 1,432 persons, including 559 Research, Connect, Analytics, Consulting and Events staff and 528 sales personnel.

Our culture emphasizes certain key values — including client service, courage, collaboration, integrity and quality — that we believe are critical to our future growth. We promote these values through training and frequent recognition for achievement. We encourage teamwork and promote and recognize individuals who foster these values. New employees participate in a three-day training process that focuses on our Age of the Customer strategy, our products and services, corporate culture, values and goals.

Item 1A. Risk Factors

We operate in a rapidly changing and competitive environment that involves risks and uncertainties, certain of which are beyond our control. These risks and uncertainties could have a material adverse effect on our business and our results of operations and financial condition. These risks and uncertainties include, but are not limited to:

A Decline in Renewals or Demand for Our Membership-Based Research, Connect and Analytics Services. Our success depends in large part upon retaining (on both a client company and dollar basis) and enriching existing memberships for our Research, Connect, and Analytics products and services. Future declines in client retention, dollar retention, and enrichment, or failure to generate demand for and new sales of our membership-based products and services due to competition or otherwise, could have an adverse effect on our results of operations and financial condition.

Demand for Our Advisory and Consulting Services. Advisory and consulting services revenues comprised 32% of our total revenues in both 2018 and 2017. Consulting engagements generally are project-based and non-recurring. A decline in our ability to fulfill existing or generate new project consulting engagements could have an adverse effect on our results of operations and financial condition.

We may experience difficulties in integrating the operations of acquired companies into our business and in realizing the expected benefits of the acquisitions. The success of our recent acquisitions of SiriusDecisions, FeedbackNow and GlimpzIt will depend in part on our ability to realize the anticipated business opportunities from combining the operations of these companies with our business in an efficient and effective manner. The integration process could take longer than anticipated and could result in the loss of key employees, the disruption of each company's ongoing businesses, tax costs or inefficiencies, or inconsistencies in standards, controls, information technology systems, procedures and policies, any of which could adversely affect our ability to maintain relationships with customers, employees or other third parties, or our ability to achieve the anticipated benefits of the transaction, and could harm our financial performance. If we are unable to successfully or timely integrate the operations of any of these companies with our business, we may incur unanticipated liabilities and be unable to realize the revenue growth, synergies and other anticipated benefits resulting from the transactions, and our business, results of operations and financial condition could be materially and adversely affected. In addition, our diligence process may have failed to identify significant problems, liabilities or other challenges, and the contractual remedies under the SiriusDecisions purchase agreement and the related representations and warranties insurance policy we purchased prior to the acquisition of SiriusDecisions may not adequately protect or compensate us, which could have an adverse effect on our results of operations and financial condition.

We have outstanding debt which could materially restrict our business and adversely affect our financial condition, liquidity and results of operations. In connection with the SiriusDecisions acquisition, we entered into a credit agreement (the "Credit Agreement") that provides for a $125 million term loan facility and a $75 million revolving credit facility. All of the proceeds of the term loans and $50 million borrowed under the revolving credit facility were used to pay a portion of the purchase price of the acquisition. The debt service requirements of these credit arrangements could impair our future financial condition and operating results. In addition, the affirmative, negative and financial covenants of the Credit Agreement could limit our future financial flexibility. A failure to comply with these covenants could result in acceleration of all amounts outstanding, which could materially impact our financial condition unless accommodations could be negotiated with our lenders. No assurance can be given that we would be successful in doing so, or that any accommodations that we were able to negotiate would be on terms as favorable as those currently. The outstanding debt may limit the amount of cash or additional credit available to us, which could restrain our ability to expand or enhance products and services, respond to competitive pressures or pursue future business opportunities requiring substantial investments of additional capital.

We Have Undergone Substantial Internal Reorganizations. As part of our "Age of the Customer" strategy, we have implemented significant sales and other organizational change. Our customer engagement model has moved to a structure where we provide different sales engagement and support levels for clients and prospects in our Premier and Core groups. These changes are designed to improve our retention and enrichment rates and accelerate growth. In 2017, we substantially completed the roll-out of the new model in North America, and in 2018 we extended it to our European and Asia Pacific groups. We have incurred material expenses in connection with these actions. If the changes we are implementing do not have the desired outcomes, this could have an adverse effect on our results of operations and financial condition.

Our Business May be Adversely Affected by the Economic Environment. Our business is in part dependent on technology spending and is impacted by economic conditions. The economic environment may materially and adversely affect demand for our products and services. If conditions in the United States and the global economy were to lead to a decrease in technology spending, or in demand for our products and services, this could have an adverse effect on our results of operations and financial condition.

Our International Operations Expose Us to a Variety of Operational Risks which Could Negatively Impact Our Results of Operations. As of December 31, 2018, we have clients in approximately 60 countries and approximately 23% of our revenue comes from international sales. Our operating results are subject to the risks inherent in international business activities, including challenges in staffing and managing foreign operations, changes in regulatory requirements, compliance with numerous foreign laws and regulations, differences between U.S. and foreign tax rates and laws, fluctuations in currency exchange rates, difficulty of enforcing client agreements, collecting accounts receivable, and protecting intellectual property rights in international jurisdictions. Furthermore, we rely on local independent sales representatives in some international locations. If any of these arrangements are terminated by our representatives or us, we may not be able to replace the arrangement on beneficial terms or on a timely basis, or clients sourced by the local sales representative may not want to continue to do business with us or our new representative.

Our business could suffer as a result of the United Kingdom's decision to end its membership in the European Union. Our London office serves as our European headquarters and is our second largest location in terms of headcount. The decision of the United Kingdom to exit from the European Union (generally referred to as "Brexit") could cause disruptions to and create uncertainty surrounding both this office and our business generally, including affecting our relationships with existing and potential customers, suppliers, and employees. The effects of Brexit will depend on any agreements the United Kingdom makes to retain access to European Union markets either during a transitional period or more permanently. The measures could potentially disrupt some of our target markets and jurisdictions in which we operate, and adversely change tax benefits or liabilities in these or other jurisdictions. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations, as the United Kingdom determines which European Union laws to replace or replicate. Brexit also may create global economic uncertainty, which may cause our customers and potential customers to monitor their costs and reduce their budgets for our products and services. Any of these effects of Brexit, among others, could materially adversely affect our results of operations and financial condition.

Ability to Develop and Offer New Products and Services. Our future success will depend in part on our ability to offer new products and services. These new products and services must successfully gain market acceptance by anticipating and identifying changes in client requirements and changes in the technology industry and by addressing specific industry and business organization sectors. The process of internally researching, developing, launching and gaining client acceptance of a new product or service, or assimilating and marketing an acquired product or service, is risky and costly. We may not be able to introduce new, or assimilate acquired, products or services successfully. Our failure to do so would adversely affect our ability to maintain a competitive position in our market and continue to grow our business.

Loss of Key Management. Our future success will depend in large part upon the continued services of a number of our key management employees. The loss of any one of them, in particular George F. Colony, our founder, Chairman of the Board and Chief Executive Officer, could adversely affect our business.

The Ability to Attract and Retain Qualified Professional Staff. Our future success will depend in large measure upon the continued contributions of our senior management team, research and data professionals, consultants, and experienced sales and marketing personnel. Thus, our future operating results will be largely dependent upon our ability to retain the services of these individuals and to attract additional professionals from a limited pool of qualified candidates. Our future success will also depend in part upon the effectiveness of our sales leadership in hiring and retaining sales personnel and in improving sales productivity. We experience competition in hiring and retaining professionals from developers of Internet and emerging-technology products, other research firms, management consulting firms, print and electronic publishing companies and financial services companies, many of which have substantially greater ability, either through cash or equity, to attract and compensate professionals. If we lose professionals or are unable to attract new talent, we will not be able to maintain our position in the market or grow our business.

Failure to Anticipate and Respond to Market Trends. Our success depends in part upon our ability to anticipate rapidly changing technologies and market trends and to adapt our research, data, advisory services, and other related products and services to meet the changing needs of our clients. The technology and commerce sectors that we analyze undergo frequent and often dramatic changes. The environment of rapid and continuous change presents significant challenges to our ability to provide our clients with current and timely analysis, strategies and advice on issues of importance to them. Meeting these challenges requires the commitment of substantial resources. Any failure to continue to provide insightful and timely analysis of developments, technologies, and trends in a manner that meets market needs could have an adverse effect on our market position and results of operations.

We May be Subject to Network Disruptions or Security Breaches that Could Damage Our Reputation and Harm Our Business and Operating Results. We may be subject to network disruptions or security breaches caused by computer viruses, illegal break-ins or hacking, sabotage, acts of vandalism by third parties or terrorism. Our security measures or those of our third-party service providers may not detect or prevent such security breaches. Any such compromise of our information security could result in the unauthorized publication of our confidential business or proprietary information, cause an interruption in our operations, result in the unauthorized release of customer or employee data, result in a violation of privacy or other laws, expose us to a risk of litigation or damage our reputation, which could harm our business and operating results.

Competition. We compete principally in the market for research, data and advisory services, with an emphasis on customer behavior and customer experience, and the impact of business technology on our clients' business and service models. Our principal direct competitors include other independent providers of research and advisory services, such as Gartner, as well as marketing agencies, general business consulting firms, survey-based general market research firms, providers of peer networking services, and digital media measurement services. Some of our competitors have substantially greater financial and marketing resources than we do. In addition, our indirect competitors include the internal planning and marketing staffs of our current and prospective clients, as well as other information providers such as electronic and print publishing companies. We also face competition from free sources of information available on the Internet, such as Google. Our indirect competitors could choose to compete directly against us in the future. In addition, there are relatively few barriers to entry into certain segments of our market, and new competitors could readily seek to compete against us in one or more of these market segments. Increased competition could adversely affect our operating results through pricing pressure and loss of market share. There can be no assurance that we will be able to continue to compete successfully against existing or new competitors.

Failure to Enforce and Protect our Intellectual Property Rights. We rely on a combination of copyright, trademark, trade secret, confidentiality and other contractual provisions to protect our intellectual property. Unauthorized third parties may obtain or use our proprietary information despite our efforts to protect it. The laws of certain countries do not protect our intellectual property to the same extent as the laws of the United States and accordingly we may not be able to protect our intellectual property against unauthorized use or distribution, which could adversely affect our business.

Privacy Laws. Privacy laws and regulations, and the interpretation and application of these laws and regulations, in the U.S, Europe and other countries around the world where we conduct business are sometimes inconsistent and frequently changing. For example, the European Union General Data Protection Regulation (GDPR) became enforceable on May 25, 2018. Compliance with these laws, or changing interpretations and application of these laws, could cause us to incur substantial costs or require us to take action in a manner that would be adverse to our business.

Fluctuations in Our Operating Results. Our revenues and earnings may fluctuate from quarter to quarter based on a variety of factors, many of which are beyond our control, and which may affect our stock price. These factors include, but are not limited to:

- Trends in technology and research, data and advisory services spending in the marketplace and general economic conditions.
- The timing and size of new and renewal memberships for our products and services from clients.
- The utilization of our advisory services by our clients.
- The timing of revenue-generating events sponsored by us.
- The introduction and marketing of new products and services by us and our competitors.
- The hiring and training of new research and data professionals, consultants, and sales personnel.
- Changes in demand for our research, data and advisory services.
- Fluctuations in currency exchange rates.
- An increase in the interest rates applicable to our outstanding debt obligations.

As a result, our operating results in future quarters may be below the expectations of securities analysts and investors, which could have an adverse effect on the market price for our common stock. Factors such as announcements of new products, services, offices, acquisitions or strategic alliances by us, our competitors, or in the research, data and professional services industries generally, may have a significant impact on the market price of our common stock. The market price for our common stock may also be affected by movements in prices of stocks in general.

Taxation Risks. We operate in numerous jurisdictions around the world. A portion of our income is generated outside of the United States and is taxed at lower rates than rates applicable to income generated in the U.S. or in other jurisdictions in which we do business. Our effective tax rate in the future, and accordingly our results of operations and financial position, could be adversely affected by changes in applicable tax law or if more of our income becomes taxable in jurisdictions with higher tax rates.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the “Act”) was enacted in the United States. The changes included in the Act are broad and complex. The final transition impacts of the Act may differ from the estimates provided elsewhere in this report, possibly materially, due to, among other things, changes in interpretations of the Act, any legislative action to address questions that arise because of the Act, any changes in accounting standards for income taxes or related interpretations in response to the Act, or any updates or changes to estimates we have utilized to calculate the transition impacts, including impacts from changes to current year earnings estimates and foreign exchange rates of foreign subsidiaries. Our estimated impacts of the new law are based on our current knowledge and assumptions, and recognized impacts could be materially different from current estimates based on our actual results in future periods and our further analysis of the Act.

Concentration of Ownership. Our largest stockholder is our Chairman and CEO, George F. Colony, who owns approximately 42% of our outstanding stock. This concentration of ownership enables Mr. Colony to strongly influence or effectively control matters requiring stockholder approval, including the election of directors, amendment of our certificate of incorporation, adoption or amendment of equity plans and approval of significant transactions such as mergers, acquisitions, consolidations and sales or purchases of assets. This concentration of ownership may also limit the liquidity of our stock. As a result, efforts by stockholders to change the direction, management or ownership of Forrester may be unsuccessful, and stockholders may not be able to freely purchase and sell shares of our stock.

Any Weakness Identified in Our System of Internal Controls by Us and Our Independent Registered Public Accounting Firm Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 Could Have an Adverse Effect on Our Business. Section 404 of the Sarbanes-Oxley Act of 2002 requires that companies evaluate and report on their systems of internal control over financial reporting. In addition, our independent registered public accounting firm must report on its evaluation of those controls. There can be no assurance that no weakness in our internal control over financial reporting will occur in future periods, or that any such weakness will not have a material adverse effect on our business or financial results, including our ability to report our financial results in a timely manner.

Item 1B. Unresolved Staff Comments

We have not received written comments from the Securities and Exchange Commission that remain unresolved.

Item 2. Properties

Our corporate headquarters building is comprised of approximately 190,000 square feet of office space in Cambridge, Massachusetts, substantially all of which is currently occupied by the Company. This facility accommodates research, data, marketing, sales, consulting, technology, and operations personnel. The lease term of this facility expires February 28, 2027.

We also rent office space in San Francisco, New York City, Dallas, McLean, Virginia, Nashville, Wilton, Connecticut (the SiriusDecisions headquarters), Amsterdam, Frankfurt, London, Paris, New Delhi, Singapore and Lausanne, Switzerland. Our San Francisco lease is for approximately 19,000 square feet, with a term that expires June 30, 2022. Our New York lease is for approximately 15,200 square feet, with an initial term until January 31, 2021. The Wilton lease is for approximately 42,000 square feet, with an initial term that expires July 31, 2020. The London lease is for approximately 17,800 square feet, with a term that expires September 24, 2021. We also lease office space on a relatively short-term basis in various other locations in North America, Europe, Asia, and Australia.

We believe that our existing facilities are adequate for our current needs and that additional facilities are available for lease to meet future needs.

Item 3. Legal Proceedings

We are not currently a party to any material legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market For Registrant’s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

Our common stock is listed on the Nasdaq Global Select Market under the symbol “FORR”. During 2017, quarterly dividends of $0.19 per common share were declared and paid in each of the four quarters during the year. During 2018, quarterly dividends of $0.20 per common share were declared and paid in each of the four quarters during the year. On November 27, 2018, in conjunction with the announcement of the acquisition of SiriusDecisions, Forrester announced the indefinite suspension of its quarterly dividend program beginning in fiscal year 2019. The actual declaration of any potential future dividends, and the establishment of the per share amount and payment dates for any such future dividends are subject to the discretion of the Board of Directors.

As of March 4, 2019 there were approximately 30 stockholders of record of our common stock. On March 4, 2019 the closing price of our common stock was $49.54 per share.

Through 2018, our Board of Directors authorized an aggregate $535.0 million to purchase common stock under our stock repurchase program including $50.0 million authorized in February 2018. As of December 31, 2018, we had repurchased approximately 16.3 million shares of common stock at an aggregate cost of $474.9 million, with no repurchases in the three months ended December 31, 2018.

See “Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters”, for information on our equity compensation plans.

The following graph contains the cumulative stockholder return on our common stock during the period from December 31, 2013 through December 31, 2018 with the cumulative return during the same period for the Russell 2000 and the S&P 600 Small Cap Information Technology Index, and assumes that the dividends, if any, were reinvested.

15

Item 6. Selected Consolidated Financial Data

The selected financial data presented below is derived from our consolidated financial statements and should be read in connection with those statements.

	Years Ended December 31,				
	2018	2017	2016	2015	2014
	(In thousands, except per share amounts)				
Consolidated Statement of Income Data					
Research services	$228,399	$216,471	$215,216	$210,268	$207,517
Advisory services and events	129,176	121,202	110,879	103,458	104,545
Total revenues	357,575	337,673	326,095	313,726	312,062
Income from operations	22,425	27,549	30,774	18,827	18,213
Other income and gains (losses) on investments, net	1,100	(178)	(65)	493	176
Net income	$15,380	$15,140	$17,651	$11,996	$10,865
Basic income per common share	$0.85	$0.84	$0.98	$0.67	$0.58
Diluted income per common share	$0.84	$0.83	$0.97	$0.66	$0.57
Basic weighted average shares outstanding	18,091	17,919	17,984	17,927	18,713
Diluted weighted average shares outstanding	18,380	18,240	18,269	18,143	19,007

	As of December 31,				
	2018	2017	2016	2015	2014
	(In thousands)				
Consolidated Balance Sheet Data					
Cash, cash equivalents and marketable investments	$140,296	$134,123	$138,105	$101,106	$104,535
Working capital	46,108	41,766	45,962	15,274	26,298
Total assets	353,524	345,200	335,785	318,991	332,707
Deferred revenue	135,332	145,207	134,265	140,676	144,568
Total liabilities	201,924	204,011	185,749	191,689	191,105
Cash dividends declared	14,502	13,631	12,987	12,179	11,962

Cash dividends in 2018, 2017, 2016, 2015 and 2014 represent quarterly dividends of $0.20, $0.19, $0.18, $0.17 and $0.16 per common share declared and paid during 2018, 2017, 2016, 2015 and 2014, respectively.

The following items impact the comparability of our consolidated data:

- On January 1, 2018, the Company adopted ASU No. 2014-09, Revenue from Contracts with Customers - ASC 606, using the modified retrospective method. The reported results for 2018 reflect the application of ASC 606, while the reported results for prior years reflect the application of the prior revenue standard - ASC 605, Revenue Recognition. Adoption of ASC 606 had the following effects on our 2018 financial results:
  - an increase of $1.6 million in total revenues for the year ended December 31, 2018 of which $1.3 million related to revenues from research services revenues and $0.3 million related to revenues from advisory services and events.
  - an increase in net income and diluted income per share for the year ended December 31, 2018 by $1.4 million and $0.08, respectively.
  - an increase in working capital as of December 31, 2018 of $4.6 million.
  - a decrease in deferred revenue as of December 31, 2018 of $14.0 million

- On December 22, 2017, the Tax Cuts and Jobs Act was enacted resulting in a decrease in the U.S. corporate tax rate from 35% to 21% for the year ended December 31, 2018 and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017. As a result, we have recorded amounts related to the remeasurement of federal deferred tax assets and liabilities of $1.2 million and the one-time transition tax of $0.8 million, of which $0.4 million and $1.6 million was recognized during 2018 and 2017, respectively.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
Overview

We derive revenues from memberships of our Research, Connect and Analytics products and services, licensing electronic "reprints" of our Research, performing advisory services and consulting projects, and hosting Events. We offer contracts for our Research, Connect and Analytics products that are typically renewable annually and payable in advance. Membership revenues are recognized as revenue ratably over the term of the contract. Accordingly, a substantial portion of our billings are initially recorded as deferred revenue. Reprints include an obligation to deliver a customer-selected research document and certain usage data provided through an on-line platform, which represents two performance obligations. Billings for licensing of reprints are initially recorded as deferred revenue. We recognize revenue for the performance obligation for the research document at the time of providing access to the document. We recognize revenue for the performance obligation for the data portion of the reprint ratably over the license term. Clients purchase advisory and consulting services independently and/or to supplement their memberships to our subscription-based products. Billings attributable to advisory services and consulting projects are initially recorded as deferred revenue. Advisory service revenues, such as workshops, speeches and advisory days, are recognized when the customer receives the agreed upon deliverable. Consulting project revenues, which generally are short-term in nature and based upon fixed-fee agreements, are recognized as the services are provided. Event billings are also initially recorded as deferred revenue and are recognized as revenue upon completion of each Event.

As previously noted, on January 3, 2019, we acquired 100% of the issued and outstanding shares of SiriusDecisions, Inc., a privately held company based in Wilton, Connecticut with approximately 350 employees globally. Pursuant to the terms of the merger agreement, the Company paid $247.3 million at closing, which included the purchase price of $245.0 million plus estimated cash acquired, reduced by certain working capital items. Net cash paid, which accounts for the cash acquired of $7.2 million, was $240.1 million. We paid for the acquisition with $175 million of debt and cash on hand. SiriusDecisions helps companies worldwide by delivering actionable intelligence, transformative frameworks and expert guidance that equip executives to modernize and elevate sales, marketing and product performance. See Note 15 - Subsequent Events to the financial statements for more information on the acquisition. Accordingly, this management discussion and analysis of financial condition and results of operations does not include a discussion of SiriusDecisions, other than as explicitly indicated. On or before March 21, 2019, we intend to file a Form 8-K/A that will include (1) an unaudited pro forma combined balance sheet as of December 31, 2018 showing the combination of Forrester and SiriusDecisions as if the acquisition was completed on December 31, 2018 and (2) an unaudited pro forma combined statement of income for the year ended December 31, 2018 showing the combination of Forrester and SiriusDecisions as if the acquisition was completed on January 1, 2018.

Our primary operating expenses consist of cost of services and fulfillment, selling and marketing expenses and general and administrative expenses. Cost of services and fulfillment represents the costs associated with the production and delivery of our products and services, including salaries, bonuses, employee benefits and stock-based compensation expense for all personnel that produce and deliver our products and services, including all associated editorial, travel, and support services. Selling and marketing expenses include salaries, sales commissions, bonuses, employee benefits, stock-based compensation expense, travel expenses, promotional costs and other costs incurred in marketing and selling our products and services. General and administrative expenses include the costs of the technology, operations, finance, and human resources groups and our other administrative functions, including salaries, bonuses, employee benefits, and stock-based compensation expense. Overhead costs such as facilities and annual fees for cloud-based information technology systems are allocated to these categories according to the number of employees in each group.

Deferred revenue, agreement value, client retention, dollar retention, enrichment and number of clients are metrics that we believe are important to understanding our business. We believe that the amount of deferred revenue, along with the agreement value of contracts, provide a significant measure of our business activity. We define these metrics as follows:

- Deferred revenue — billings in advance of revenue recognition as of the measurement date.

- Agreement value — the total revenues recognizable from all contracts to purchase our services in force at a given time (excluding contracts that consist solely of advisory or consulting services and the value of Event sponsorships included in all contracts), without regard to how much revenue has already been recognized. No single client accounted for more than 3% of agreement value at December 31, 2018.
- Client retention — the percentage of client companies with memberships expiring during the most recent twelve-month period that renewed one or more of those memberships during that same period.
- Dollar retention — the total dollar value of client membership contracts expiring during the most recent twelve-month period, which are renewed in whole or in part, as a percentage of the dollar value of all expiring client membership contracts during the same period.

- Enrichment — the percentage of the dollar value of client membership contracts renewed during the most recent twelve-month period to the dollar value of the corresponding expiring contracts.
- Clients — we aggregate the various divisions and subsidiaries of a corporate parent as a single client and we also aggregate separate instrumentalities of the federal, state, and provincial governments as single clients.

Client retention, dollar retention, and enrichment are not necessarily indicative of the rate of future retention of our revenue base. A summary of our key metrics is as follows (dollars in millions):

	As of December 31, 2018	As of December 31, 2017	Absolute Increase (Decrease)	Percentage Increase (Decrease)
Deferred revenue	$135.3	$145.2	$ (9.9)	(7%)
Agreement value	$266.3	$242.9	$ 23.4	10%
Client retention	74%	76%	(2)	(3%)
Dollar retention	88%	88%	—	—
Enrichment	101%	96%	5	5%
Number of clients	2,353	2,409	(56)	(2%)

	As of December 31, 2017	As of December 31, 2016	Absolute Increase (Decrease)	Percentage Increase (Decrease)
Deferred revenue	$145.2	$134.3	$ 10.9	8%
Agreement value	$242.9	$238.4	$ 4.5	2%
Client retention	76%	75%	1	1%
Dollar retention	88%	87%	1	1%
Enrichment	96%	93%	3	3%
Number of clients	2,409	2,432	(23)	(1%)

The financial information for FeedbackNow has not been incorporated into agreement value, retention, enrichment or client count as of December 31, 2018.

Deferred revenue at December 31, 2018 decreased 7% compared to the prior year and decreased 6% after adjusting for the effect of foreign currency fluctuations. The decrease in deferred revenue resulted from the implementation of the new revenue standard in the first quarter of 2018 that resulted in an approximate 10% reduction in deferred revenue at December 31, 2018 compared to the prior year. Under old GAAP, deferred revenue would have increased approximately 3% as contract billings exceeded revenue for the period. Agreement value at December 31, 2018 increased 10% compared to the prior year and increased 8% after adjusting for the effect of foreign currency fluctuations, representing an increase in the related contract bookings for the year and increased bundling of consulting services with our Research and Connect products.

Deferred revenue at December 31, 2017 increased 8% compared to the prior year and increased 6% after adjusting for the effect of foreign currency fluctuations, due to growth in contract bookings exceeding revenue recognized for the year. Agreement value at December 31, 2017 increased 2% compared to the prior year and increased 3% after adjusting for the effect of foreign currency fluctuations, representing an increase in the related contract bookings for the year.

Dollar retention rates increased 1 percentage point during 2017 to 88% and remained essentially flat during 2018. Client retention rates increased 1 percentage point during 2017 and then declined throughout 2018 by a total of 2 percentage points. Our enrichment metric increased by 3 percentage points during 2017 and continued to improve in each sequential quarter of 2018 resulting in a 5 percentage point improvement during 2018. Enrichment has increased in part due to an increase in our bundling of advisory and consulting services with our subscription products in the product solutions that we offer to our clients.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our policies and estimates, including but not limited to, those related to our revenue recognition, non-marketable investments, goodwill, intangible and other long-lived assets, and income taxes. Management bases its estimates on historical experience, data available at the time the estimates are made and various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We consider the following accounting policies to be those that require the most subjective judgment or that involve uncertainty that could have a material impact on our financial statements. If actual results differ significantly from management's estimates and projections, there could be a material effect on our financial statements. This is not a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP, with no need for management's judgment in its application. For a discussion of our other accounting policies, see Note 1 of the Notes to Consolidated Financial Statements beginning on page 42.

- Revenue Recognition. We generate revenues from memberships to our Research, Connect and Analytics products and services, licensing electronic reprints of our Research, performing advisory services and consulting projects and hosting Events. We execute contracts that govern the terms and conditions of each arrangement. Revenues are recognized when an approved contract with a customer exists, the fees, payment terms, and rights regarding the products or services to be transferred can be identified, it is probable we will collect substantially all of the consideration for the products and services expected to be provided, and we have transferred control of the products and services to the customer. We continually evaluate customers' ability and intention to pay by reviewing factors including the customer's payment history, our ability to mitigate credit risk and experience selling to similarly situated customers.

Our contracts may include either a single promise (referred to as a performance obligation) to transfer a product or service or a combination of multiple promises to transfer products or services. We evaluate the existence of multiple performance obligations within our products and services by using judgement to determine if the customer can benefit from each contractual promise on its own or together with other readily available resources and if the transfer of each contractual promise is separately identifiable from other promises in a contract. When both criteria are met, each promise is accounted for as a separate performance obligation. Revenues from contracts that contain multiple products or services are allocated among the separate performance obligations on a relative basis according to their standalone selling prices. We obtain the standalone selling prices of our products and services based upon an analysis of standalone sales of these products and services during the year. When there is an insufficient history of standalone sales, we use judgment to estimate the standalone selling price, taking into consideration available market conditions, factors used to set list price(s), pricing of similar products, and internal pricing objectives.

The majority of our research services revenues, including our Research, Connect and Analytics subscription products, are recognized ratably over the term of the contract. Certain research services revenues, including revenues from sales of reprints, are recognized as revenue when delivered. Advisory services revenues, such as workshops, speeches and advisory days, are recognized at the point in time the customer receives the agreed upon deliverable and consulting project revenues are recognized over time as the services are provided. Event revenues are recognized upon completion of the Event. Reimbursed out-of-pocket expenses are recorded as advisory services and events revenues.

Our Research subscription products include access to all or a designated portion of our research, and depending on the type of license, unlimited phone or email analyst inquiry, and unlimited participation in Forrester Webinars, all of which are delivered throughout the contract period and are accounted for as a single performance obligation. Annual subscriptions for Leadership Boards include access to the Research offering, access to a private forum with other Leadership Board member peers, access to a Forrester advisor, member-generated content, and one Event ticket. Leadership Boards are accounted for as two performance obligations: (1) the Event ticket and (2) the remaining services that are delivered throughout the contract period. Arrangement consideration is allocated to each obligation based upon their standalone selling prices, which are determined based on standalone sales of Event tickets and the estimated selling price of the remaining services. Our Analytics subscription products include access to designated survey data products and access to a data advisor, which are delivered throughout the contract period and are accounted for as a single performance obligation. Certain of our Analytics subscription products also include advisory services and these products are accounted for as two performance obligations: (1) the subscription and data advisor and (2) the advisory services. Arrangement consideration is allocated to each obligation based upon its standalone selling price, which is determined based on standalone sales of the advisory services and the estimated selling price of the remaining Analytics services.

We are required to estimate the amount of prepaid performance obligations that will expire unused and recognize revenue for that estimate over the same period the related rights are exercised by our customers. This assessment requires judgment, including estimating the percentage of prepaid rights that will go unexercised and anticipating the impact that future changes to products, pricing and customer engagement will have on actual expirations. We update the estimates used to recognize unexercised rights on a quarterly basis.

We use judgment to determine the type of costs to obtain our contracts that can be capitalized, primarily commissions. Our revenue recognition determines the timing of commission expenses, as commissions are earned during the month a contract is signed and are deferred and recognized as expense as the related revenue is recognized. We evaluate the recoverability of deferred commissions at each balance sheet date.

- Non-Marketable Investments. We hold minority interests in technology-related investment funds with a book value of $2.5 million at December 31, 2018. These investment funds are not publicly traded, and, therefore, because no established market for these securities exists, the estimate of the fair value of our investments requires significant judgment. These investments are accounted for using the equity method, and as such we record our share of the investee's operating results each period. We review the fair value of our investments on a regular basis to evaluate whether an other-than-temporary impairment in the investment has occurred. We record impairment charges when we believe that an investment has experienced a decline in value that is other-than-temporary. Future adverse changes in market conditions or poor operating results of underlying investments could result in losses or an inability to recover the carrying value of the investments that may not be reflected in an investment's current carrying value, thereby possibly requiring an impairment charge in the future.
- Goodwill, Intangible Assets and Other Long-Lived Assets. As of December 31, 2018, we had $90.1 million of goodwill and intangible assets with finite lives recorded on our Consolidated Balance Sheet. Goodwill is required to be measured for impairment at least annually or whenever events indicate that there may be an impairment. In order to determine if an impairment exists, we compare each of our reporting unit's carrying value to the reporting unit's fair value. Determining the reporting unit's fair value requires us to make estimates of market conditions and operational performance. Absent an event that indicates a specific impairment may exist, we have selected November 30th as the date to perform the annual goodwill impairment test. The annual assessment of goodwill can be based on either a quantitative or qualitative assessment, or a combination of both. We completed the annual goodwill impairment testing as of November 30, 2018 utilizing a quantitative assessment and concluded that the fair values of each of our reporting units continues to significantly exceed their respective carrying values. Future events could cause us to conclude that impairment indicators exist and that goodwill associated with our acquired businesses is impaired. Any resulting impairment loss could have a material adverse impact on our results of operations.

Intangible assets with finite lives as of December 31, 2018 consist of acquired customer relationships, acquired technology, and trade names and were valued according to the future cash flows they are estimated to produce. These assigned values are amortized on a basis which best matches the periods in which the economic benefits are expected to be realized. Tangible assets with finite lives consist of property and equipment, which are depreciated over their estimated useful lives. We continually evaluate whether events or circumstances have occurred that indicate that the estimated remaining useful life of our intangible and long-lived tangible assets may warrant revision or that the carrying value of these assets may be impaired. No such events or circumstances occurred during 2018. To compute whether intangible assets have been impaired, the estimated undiscounted future cash flows for the estimated remaining useful life of the assets are compared to the carrying value. To the extent that the future cash flows are less than the carrying value, the assets are written down to their estimated fair value.

- Income Taxes. We recognize deferred tax assets and liabilities using enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities as well as operating loss carryforwards (from acquisitions). Such amounts are adjusted as appropriate to reflect changes in the tax rates expected to be in effect when the temporary differences reverse. We record a valuation allowance to reduce our deferred taxes to an amount we believe is more likely than not to be realized. We consider future taxable income and prudent and feasible tax planning strategies in assessing the need for a valuation allowance.

As a global company, we use significant judgment to calculate and provide for income taxes in each of the tax jurisdictions in which we operate. In the ordinary course of our business, there are transactions and calculations undertaken whose ultimate tax outcome cannot be certain. Some of these uncertainties arise as a consequence of transfer pricing for transactions with our subsidiaries and potential challenges to nexus and credit estimates. We estimate our exposure to unfavorable outcomes related to these uncertainties and record a liability based on the probability for such outcomes in accordance with current accounting guidelines.

Although we believe our estimates are reasonable, no assurance can be given that the final tax outcome will not be different from what is reflected in our historical income tax provisions, returns, and accruals. Such differences, or changes in estimates relating to potential differences, could have a material impact on our income tax provision and operating results in the period in which such a determination is made.

Results of Operations for the years ended December 31, 2018, 2017 and 2016

The following table sets forth our Consolidated Statements of Income as a percentage of total revenues for the years noted.

	Years Ended December 31,		
	2018	2017	2016
Revenues:			
Research services	63.9 %	64.1 %	66.0 %
Advisory services and events	36.1	35.9	34.0
Total revenues	100.0	100.0	100.0
Operating expenses:			
Cost of services and fulfillment	41.0	40.5	39.3
Selling and marketing	36.9	36.7	35.9
General and administrative	12.3	12.4	12.4
Depreciation	2.2	2.0	2.4
Amortization of intangible assets	0.3	0.2	0.3
Acquisition and integration costs	1.0	—	—
Reorganization costs	—	—	0.3
Income from operations	6.3	8.2	9.4
Other income, net	0.2	—	0.2
Gains (losses) on investments, net	0.1	(0.1)	(0.2)
Income before income taxes	6.6	8.1	9.4
Income tax provision	2.3	3.6	4.0
Net income	4.3 %	4.5 %	5.4 %

2018 compared to 2017

Revenues

	2018	2017	Absolute Increase (Decrease)	Percentage Increase (Decrease)
	(dollars in millions)			
Revenues	$357.6	$337.7	$ 19.9	6 %
Revenues from research services	$228.4	$216.5	$ 11.9	6 %
Revenues from advisory services and events	$129.2	$121.2	$ 8.0	7 %
Revenues attributable to customers outside of the U.S.	$83.4	$77.6	$ 5.8	7 %
Percentage of revenue attributable to customers outside of the U.S.	23 %	23 %	—	—
Number of clients (at end of period)	2,353	2,409	(56)	(2 %)

Number of events	15	14	1	7	%

Total revenues increased 6% during 2018 compared to 2017 and foreign currency fluctuations had an insignificant effect. The new revenue standard had the effect of increasing revenue by $1.6 million, or 1% compared to the prior year period. Revenues from customers outside of the U.S. increased 7% during 2018 compared to the prior year and increased 6% after adjusting for the effect of foreign currency fluctuations, representing 23% of total revenues in 2018 and reflecting strong growth in the Asia Pacific region and Canada, partially offset by a low growth rate in Europe.

Research services revenues are recognized as revenue primarily on a ratable basis over the term of the contracts, which are generally twelve-month periods. Research services revenues increased 6% during 2018 compared to the prior year and increased by 5% after adjusting for the effect of foreign currency fluctuations. The increase reflects growth in our Research, Connect and Analytics products. The growth in our Analytics product was entirely due to the acquisition of FeedbackNow. The new revenue standard had the effect of increasing research services revenue by $1.3 million, or 1% compared to the prior year period.

Revenues from advisory services and events increased 7% during 2018 compared to the prior year and increased by 6% after adjusting for the effect of foreign currency fluctuations. The increase was due to strong growth in both advisory and Events revenues, partially offset by slower growth in consulting revenues. The increase in Events revenues was principally due to 15 Events being held in 2018 compared to 14 Events held during the prior year period, and higher sponsorship revenues in 2018 compared to the prior year. The new revenue standard had the effect of increasing advisory services and events revenue by $0.3 million, or 0.3% compared to the prior year period.

Please refer to the "Segment Results" section below for a discussion of revenue and contribution margin results by segment.

Cost of Services and Fulfillment

	2018	2017	Absolute Increase (Decrease)	Percentage Increase (Decrease)
Cost of services and fulfillment (dollars in millions)	$146.5	$136.9	$ 9.6	7 %
Cost of services and fulfillment as a percentage of total revenues	41.0 %	40.5 %	0.5	1 %
Service and fulfillment employees (at end of period)	639	602	37	6 %

Cost of services and fulfillment expenses increased 7% in 2018 compared to 2017 and foreign currency fluctuations had an insignificant effect on the growth rate. The increase in dollars was primarily due to (1) a $5.7 million increase in compensation and benefit costs, resulting from a 4% increase in the average number of employees, annual merit increases compared to the prior year, and $1.1 million from the FeedbackNow acquisition, (2) a $1.2 million increase in Event costs due primarily from 15 Events held in 2018 compared to 14 held during the prior year, (3) a $1.0 million increase in professional services costs primarily due to an increase in costs for the digitization of our Analytics product, equipment and third-party costs related to FeedbackNow revenue, (4) a $0.8 million increase in travel costs to support the increase in revenue, and (5) a $0.8 million increase in software services costs, equipment and facilities costs.

Selling and Marketing

	2018	2017	Absolute Increase (Decrease)	Percentage Increase (Decrease)
Selling and marketing expenses (dollars in millions)	$131.8	$123.9	$ 7.9	6 %
Selling and marketing expenses as a percentage of total revenues	36.9 %	36.7 %	0.2	1 %
Selling and marketing employees (at end of period)	590	597	(7)	(1 %)

Selling and marketing expenses increased 6% in 2018 compared to 2017 and foreign currency fluctuations had an insignificant effect on the growth rate. The increase in dollars was primarily due to (1) a $4.9 million increase in compensation and benefit costs resulting from an increase in the average cost per employee, annual merit increases and increased sales commission expense, (2) a $1.3 million increase in travel and entertainment expenses primarily resulting from an increase in expense for our annual sales conference, and (3) multiple small increases including an increase in the allowance for doubtful accounts and an increase in professional services costs. We intend to increase our sales employees by approximately 3% to 5% during 2019 as compared to 2018, excluding the effect of the SiriusDecisions acquisition.

General and Administrative

	2018	2017	Absolute Increase (Decrease)	Percentage Increase (Decrease)
General and administrative expenses (dollars in millions)	$43.9	$41.9	$ 2.0	5 %
General and administrative expenses as a percentage of total revenues	12.3%	12.4%	(0.1)	(1 %)
General and administrative employees (at end of period)	203	193	10	5 %

General and administrative expenses increased 5% in 2018 compared to 2017 and after adjusting for the effect of foreign currency fluctuations, increased 4%. The increase in dollars was primarily due to (1) a $2.0 million increase in salaries and benefits resulting from a 4% increase in the average number of employees (primarily from the acquisition of GlimpzIt), annual merit increases, and an increase in severance costs, and (2) a $0.5 million increase in professional services costs due to an increase in consulting services and legal costs. These increases were partially offset by a $0.3 million decrease in hiring and relocation costs.

Depreciation

Depreciation expense increased by $1.3 million to $7.9 million in 2018 as compared to $6.6 million in 2017 primarily due to additional software assets being put into service.

Amortization of Intangible Assets

Amortization expense increased by $0.4 million in 2018 as compared to 2017 due to the acquisitions of GlimpzIt and FeedbackNow. We expect amortization expense related to our intangible assets as of December 31, 2018 to be approximately $0.9 million for the year ending December 31, 2019.

Acquisition and Integration Costs

During the year ended December 31, 2018, we incurred $3.8 million of acquisition and integration costs. These costs consist of the direct and incremental costs to acquire and integrate the companies as well as certain fair value adjustments related to the acquisitions. The charges primarily consisted of accounting and tax professional fees, valuation services, legal fees, and the increase in the value of the contingent purchase price for FeedbackNow.

Income from Operations

Income from operations decreased $5.1 million, or 19% during 2018 as compared to the prior year and decreased to 6.3% of total revenues in 2018 from 8.2% in the prior year. The contraction in income from operations as a percentage of total revenues in 2018 was primarily due to the $3.8 million of acquisition and integration costs during 2018, which represented 1% of total revenues. In addition, cost of services and fulfillment as a percentage of total revenues increased by 50 basis points in 2018 compared to 2017, which was primarily due to the FeedbackNow acquisition.

Other Income, Net

Other income, net primarily consists of interest income on our marketable investments as well as gains and losses on foreign currency. The increase in other income, net during 2018 was due to an increase in interest income of $0.3 million as compared to 2017.

Gains (Losses) on Investments, Net

Gains (losses) on investments, net include our share of equity method investment gains or losses from our technology-related investment funds and gains or losses from the sale of marketable securities. The increase during 2018 was due to an investment gain of $0.6 million in 2018 recognized by the underlying funds as compared to an investment loss of $0.6 million in the prior year.

Provision for Income Taxes

	2018	2017	Absolute Increase (Decrease)	Percentage Increase (Decrease)
Provision for income taxes (dollars in millions)	$ 8.1	$ 12.2	$ (4.1)	(33 %)

Effective tax rate	34.6%	44.7%	(10.1)	(23%)

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S international taxation from a worldwide tax system to a modified territorial system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017. In December 2017, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed in reasonable detail to complete the accounting for certain income tax effects of the Act. SAB 118 provided a measurement period of one year from the enactment date of the Act for companies to complete the accounting for the income tax effects of the Act. We have

23

recorded the income tax effect of the Act for the remeasurement of federal deferred tax assets and liabilities of $1.2 million of tax expense and the one-time transition tax on the mandatory deemed repatriation of foreign earnings of $0.8 million (based on cumulative foreign earnings of $22.6 million), of which $0.4 million and $1.6 million was recognized during 2018 and 2017, respectively.

The decrease in the effective tax rate during 2018 as compared to the prior year was primarily due to the reduction in the corporate tax rate from 35% to 21% in 2018 due to the Act (as described above) and the reduction in the tax expense recognized for the implementation of the Act in 2018 as compared to 2017, as described above. In addition, 2017 included a 3.9% increase in our tax rate due to a change in our valuation allowance related to losses on investments. These decreases were partially offset by (1) an increase in non-deductible expenses during 2018 related to acquisition expenses and changes due to the Act, and (2) by a positive audit settlement in 2017 that did not recur in 2018.

2017 compared to 2016

Revenues

	2017 (dollars in millions)	2016	Absolute Increase (Decrease)	Percentage Increase (Decrease)
Revenues	$337.7	$326.1	$ 11.6	4 %
Revenues from research services	$216.5	$215.2	$ 1.3	1 %
Revenues from advisory services and events	$121.2	$110.9	$ 10.3	9 %
Revenues attributable to customers outside of the U.S.	$77.6	$73.9	$ 3.7	5 %
Percentage of revenue attributable to customers outside of the U.S.	23 %	23 %	—	—
Number of clients (at end of period)	2,409	2,432	(23)	(1 %)
Number of events	14	14	—	—

Total revenues increased 4% during 2017 compared to 2016 and 3% after adjusting for the effect of foreign currency fluctuations. Revenues from customers outside of the U.S. increased 5% during 2017 compared to the prior year and remained at 5% after adjusting for the effect of foreign currency fluctuations, representing 23% of total revenues in 2017 and reflecting strong growth in the Asia Pacific region, partially offset by low growth rates in Canada and Europe.

Research services revenues increased 1% during 2017 compared to the prior year and foreign currency fluctuations had an insignificant effect on revenue growth. The increase reflects growth in our Connect and Research products partially offset by a decline in revenue in our Analytics products.

Revenues from advisory services and events increased 9% during 2017 compared to the prior year and foreign currency fluctuations had an insignificant effect on revenue growth. The increase was due to 9% growth in our consulting and advisory products and our Events business.

Please refer to the “Segment Results” section below for a discussion of revenue and contribution margin results by segment.

Cost of Services and Fulfillment

	2017	2016	Absolute Increase (Decrease)	Percentage Increase (Decrease)
Cost of services and fulfillment (dollars in millions)	$136.9	$128.2	$ 8.7	7 %
Cost of services and fulfillment as a percentage of total revenues	40.5 %	39.3 %	1.2	3 %
Service and fulfillment employees (at end of period)	602	602	—	—

Cost of services and fulfillment expenses increased 7% in 2017 compared to 2016 and foreign currency fluctuations had an insignificant effect on the growth rate. The increase in dollars was primarily due to (1) a $5.4 million increase in compensation and benefit costs, resulting from a 3% increase in the average number of employees, an increase in incentive bonus expense and annual merit increases compared to the prior year, (2) a $1.5 million increase in professional services costs due to an increase in outsourced fees related to consulting projects delivered, an increase in fees related to the delivery of reprints on our digital reprint platform, and an increase in costs for the digitization of our Analytics products, and (3) a $0.8 million increase in Event expenses.

Selling and Marketing

	2017	2016	Absolute Increase (Decrease)	Percentage Increase (Decrease)
Selling and marketing expenses (dollars in millions)	$123.9	$116.9	$ 7.0	6 %
Selling and marketing expenses as a percentage of total revenues	36.7 %	35.9 %	0.8	2 %
Selling and marketing employees (at end of period)	597	584	13	2 %

Selling and marketing expenses increased 6% in 2017 compared to 2016 and foreign currency fluctuations had an insignificant effect on the growth rate. The increase in dollars was primarily due to a $6.7 million increase in compensation and benefit costs resulting from a 3% increase in the average number of employees, annual merit increases, an increase in incentive bonuses and an increase in severance costs compared to the prior year.

General and Administrative

	2017	2016	Absolute Increase (Decrease)	Percentage Increase (Decrease)
General and administrative expenses (dollars in millions)	$41.9	$40.6	$ 1.3	3 %
General and administrative expenses as a percentage of total revenues	12.4%	12.4%	—	—
General and administrative employees (at end of period)				